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25X1

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Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

SUMMARY

SOVIET UNION

1. American Embassy reports on Stalin interview with Indian Ambassador (page 3).
2. American Embassy in Moscow reports on Nesterov speech (page 3).

FAR EAST

3. Japanese Government's attitude on Taipei treaty analyzed (page 4).
4. [REDACTED]
5. Recent Viet Minh casualty rate not critical (page 5).
6. [REDACTED]

25X1

25X1

NEAR EAST - AFRICA

7. Sudan constitution issue imperils Anglo-Egyptian talks (page 6).

EASTERN EUROPE

8. Rumanian Air Force increases jet plane strength (page 7).
9. Poles and Czechs cooperate on border security (page 7).

WESTERN EUROPE

10. Britain opposes setting of deadline for Allied-German treaties (page 8).
11. British defense guarantee meets Dutch objections (page 8).

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- 2 -

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

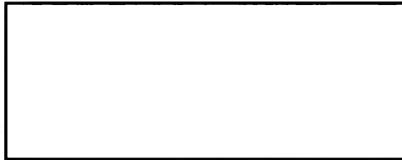
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SOVIET UNION

1. American Embassy reports on Stalin interview with Indian Ambassador:

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The Indian Ambassador in Moscow, Dr. Radhakrishnan, in reporting to the American Embassy on his conversation with Premier Stalin, pointed out that it was the

first interview Stalin had held with a non-Orbit diplomat since he saw Radhakrishnan in 1950.

Following a discussion of Indian politics, the retiring Ambassador quoted Stalin as wishing India success in its ambitions. After listening to his criticisms of Soviet actions in the Baltic States and in the Balkans, Stalin replied that Soviet intentions were peaceful and nonaggressive, and that the USSR had been concerned only with its own security and "the establishment of a belt of buffer countries friendly to the Soviet Union."

Comment: The interview may be intended to underline Soviet friendship for India, to increase cultural and economic penetration of that country, to counter reports of growing Indian amity toward the United States, to strengthen India's neutralism, and to support its position on Kashmir.

At the same time, the interview has given rise to a new crop of conjectures that the recent Soviet diplomatic offensive may be intended to lead up to top-level big power talks.

2. American Embassy in Moscow reports on Nesterov speech:

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The US Embassy in Moscow views V.M. Nesterov's speech at the World Economic Conference as an important statement of Soviet foreign trade policy. The USSR's assumption of the role

of major world trader and exponent of "normal" world trade gives surface indications of a shift in Soviet strategy. However, the Embassy notes that the stated Soviet import requirements include many strategic items and concludes that the major goal is therefore to punch holes in the NATO strategic controls.

- 3 -

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

If the USSR is unable to reach agreement on tie-in deals for strategic materials, the Embassy sees other possible Soviet moves which would have high propaganda value, such as Nesterov's offer of machinery and technical assistance to Southeast Asia and the Middle East. Since the Soviet Union has no surplus of machinery, it may be envisioning a middleman role, buying in the West and selling in the East. In any case, the Embassy doubts the ability of the USSR to double exports in the next couple of years.

Comment: Nesterov's proposals in general follow the Soviet commercial policy of the past few years and do not mark a basic shift in foreign trade strategy. In Europe the Soviet Union offers agricultural goods and raw materials in exchange for industrial goods, including items on the export-control lists; in Asia the Soviet Union offers light industrial goods in exchange for strategic raw materials.

Although the Soviet Union has relatively small exportable surpluses, it is nevertheless capable of financing "forced exports" of agricultural goods and raw materials. The Western export control program still stands as the main deterrent to the achievement of the Nesterov proposals.

FAR EAST

3. Japanese Government's attitude on Taipei treaty analyzed:

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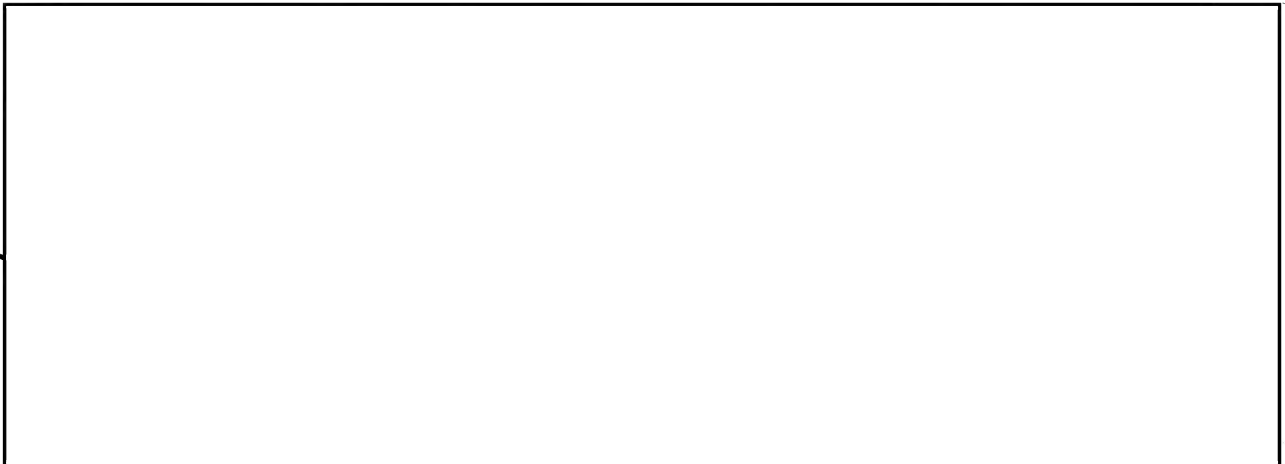
The Japanese Government is sincere in its expressed desire to conclude a peace treaty with the Chinese Nationalists, but it is unwilling to prejudice its future China policy by any appearance of acknowledging Nationalist sovereignty over the mainland.

In expressing this view, acting US Political Adviser Bond in Tokyo warns that the Japanese are becoming sensitive about foreign pressure, and that conclusion of the treaty on distasteful terms would cause an adverse public reaction affecting Japan's relations with the United States and Formosa. Bond points out that a popular impression that the government had surrendered Japanese interests under foreign pressure could become a decisive factor in the next general elections.

Comment: Nationalist China considers that a provision granting it the benefits given the San Francisco signatories is essential for maintenance of its position of equality with the other Allies -- a position which the Japanese are unwilling to grant.

Both the Japanese and Chinese are facing critical public opinion which makes it difficult for either side to modify its position.

4.



5. Recent Viet Minh casualty rate not critical:



During the three recent French campaigns against the Viet Minh within the Tonkin delta, the insurgents' casualties, including 833 killed, were five times those of the attacking forces. The American Army Attache in Saigon points out, however, that this comparison, supplied by the French commander in Tonkin, does not take into account losses among French-commanded village militia and auxiliaries. He estimates that Viet Minh losses must be ten times those of the French in order to "insure eventual victory."

25X1A

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Comment: In the past, the results of clearing operations within the delta have proved inconclusive.

Three of the five Viet Minh infantry divisions in Tonkin have engaged in a minimum of combat during the past two months. The strengthening of these divisions serves to offset Viet Minh losses within the delta, which appear to be much less significant than the French have publicly claimed.

25X1

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NEAR EAST - AFRICA

7. Sudan constitution issue imperils Anglo-Egyptian talks:

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Egyptian Foreign Minister Hassouna Pasha has stated that the real point now at issue between Egypt and Britain is the attitude of

- 6 -

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

25X1A



Governor General Sir Robert Howe of the Sudan. Hassouna informed the British Ambassador in Cairo that unless assurances were given that the Governor General would not put the new constitution into effect, the Egyptian Government would not dare to continue its talks with the British in the face of an aroused public opinion.

The British Foreign Office has meanwhile informed the American Ambassador in London that the present constitutional development in the Sudan must proceed on schedule, since "to turn back now" would provide considerable trouble in the Sudan.

EASTERN EUROPE

8. Rumanian Air Force increases jet plane strength:

25X1A



The American Military Attache in Bucharest has observed about 60 aircraft which appear to be YAK-15 jet fighters at the Ianca airfield near Braila in eastern Rumania. Most of the aircraft observed had tight canvas covers. Three without covers had Rumanian markings.

The Attache reports that the field, heretofore thought to be Russian-occupied, now appears to be a Rumanian jet fighter base, although it is still under construction and not yet operational.

Comment: The covers on the aircraft suggest a new shipment of planes to the Rumanian Air Force, which was previously believed to have only fifteen YAK-15 jet fighters.

9. Poles and Czechs cooperate on border security:

25X1A



Reports on the eastern sector of the Polish-Czech border state that the Polish side is heavily guarded by army troops while the Czech side is thinly manned by border guards. Joint search parties operate on Czech territory tracking down escapees from Poland.

- 7 -

25X1A



Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

25X1

Comment:

Czechoslovak security forces have been preoccupied with a steady trickle of Polish nationals moving between Austria, Western Germany, and Poland.

WESTERN EUROPE

10. Britain opposes setting of deadline for Allied-German treaties:

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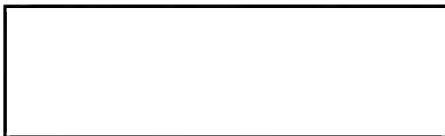


A British Foreign Office spokesman states that it would be inadvisable to set a specific date for the signing of the Allied-German contractual agreement and the European Defense Treaty. To do so, he said, would give the West German Government an opportunity to obtain concessions by delaying final agreement. Furthermore, some difficulty might arise which would necessitate a high-level tripartite conference in order to confront the Federal Republic with a common position.

Comment: This report implies that the Federal Republic is less desirous than the Allies of reaching immediate agreement. Chancellor Adenauer, who has consistently pressed for rapid progress toward accord, suggested again last week, however, that the negotiators "burn midnight oil" until all problems are solved.

11. British defense guarantee meets Dutch objections:

25X1A



The recent British formula for linking the Brussels Pact to the European Defense Community has, according to a high Dutch Foreign Office official, gone a "long way" toward satisfying Dutch opposition to the Community's proposed automatic defense guarantee.

- 8 -

25X1A

Approved For Release 2004/01/16 : CIA-RDP79T00975A000600390001-2

The Dutch official agreed with the US Embassy that it would not be wise to press now for an extension of the 20-year North Atlantic Treaty to conform with the proposed 50-year duration of the European Defense Community treaty.

Comment: Britain has agreed to an exchange of automatic mutual security guarantees with the European Defense Community, but has limited this agreement to the duration of its membership in NATO.

Because Dutch officials agree that the Defense Community treaty should be initialed by all the member countries at the earliest possible moment, they may defer their objections to an extension of the term of the Defense Community beyond that of the North Atlantic Treaty.

The Netherlands, however, has stated that it would not even sign the treaty unless it received assurances that the Germans would finance the costs of their forces through 1954.